ANNEX 2 to the Call for Expression of Interest No JER-008/2010/2

First Loss Portfolio Guarantee Financial Instrument: Description and Selection Criteria

Part I: Description of the Financial Instrument

Capitalised expressions utilised herein shall have the meaning attributed to them in the above mentioned Call for Expression of Interest.

1 Rationale

The purpose of the Financial Instrument is to support loans to eligible SMEs by providing credit risk protection (in the form of a first loss portfolio capped financial guarantee) in order to reduce the particular difficulties certain SMEs face in accessing finance because of the lack of sufficient collateral in combination with the relatively high risk they represent.

The Financial Instrument aims to support loans to two different groups of SMEs and therefore offers credit risk coverage on two types of portfolios:

- Portfolio A – portfolio of loans to SMEs in the start-up and newly established phase (with business history of less than 36 months), a category of SMEs that is by definition considered to be very risky and which often faces collateral constraints,
- Portfolio B – portfolio of loans to SMEs with business history of more than 36 months, which may also face collateral constraints in their efforts to access finance, not least due to the current economic conditions.

2 Structure

The Financial Instrument shall partly cover the credit risk associated to underlying newly originated Eligible Loans included in the guaranteed Portfolio. In order to ensure an alignment of interest between the Financial Intermediary and the EIF acting through the JT, the Financial Instrument shall offer risk coverage on a loan by loan basis at a Guarantee Rate of 50%, subject to a maximum liability in respect of loan losses expressed as Cap Amount and Cap Rate and calculated on a Portfolio basis.

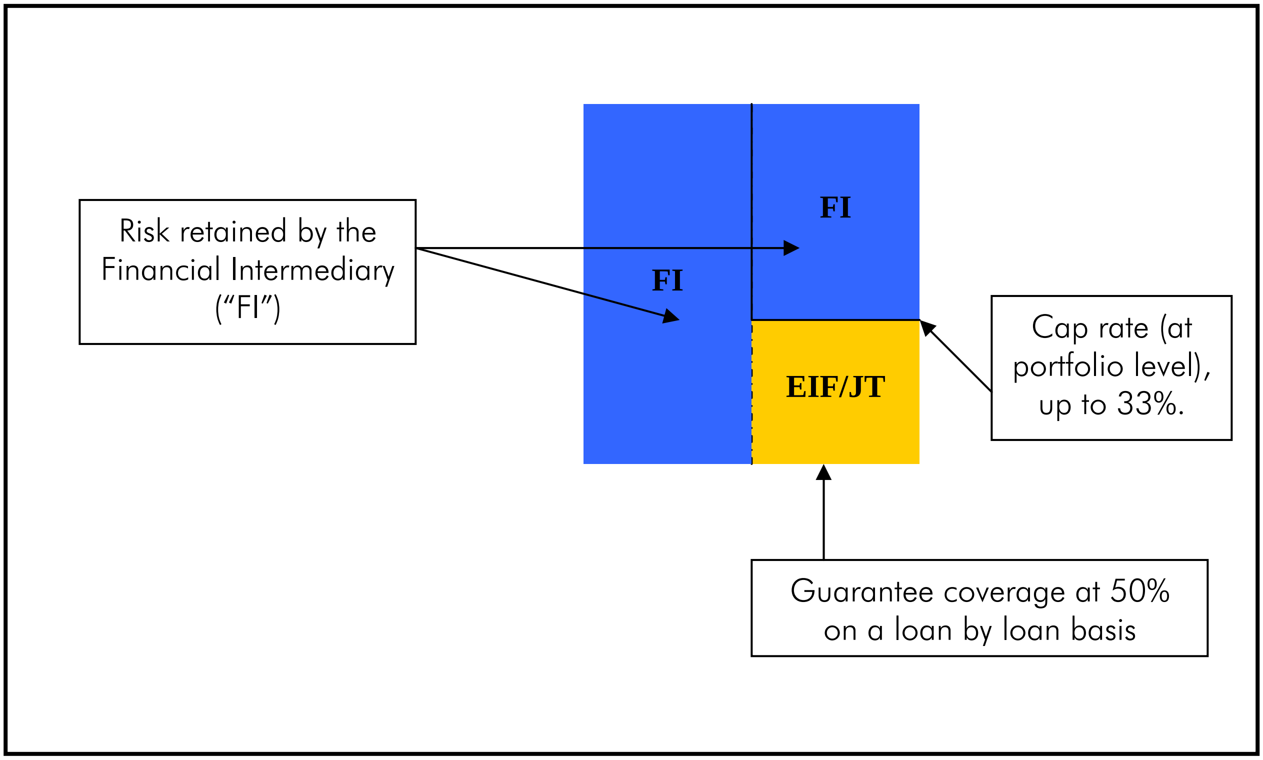
The Financial Instrument shall cover defaulted amounts of principal and interest incurred until the date of default in respect of Eligible Loans up to a predetermined Cap Amount.

The origination, due diligence, documentation and servicing of the Eligible Loans shall be performed by the Financial Intermediary in accordance with its standard origination and servicing procedures.

In this context, the Financial Intermediary shall have the sole direct client credit relationship with each SME.

Eligible Loans (according to pre-defined Eligibility Criteria on a loan-by-loan and Portfolio level) will be automatically covered by the Financial Instrument, by way of submitting inclusion notices on a quarterly basis.

3 The Financial Instrument



4 Indicative Summary of Transaction Terms

These indicative terms are an outline of the principal terms and conditions for the Financial Instrument described herein, which are subject to change and non-exhaustive. This document is intended to provide a basis for discussions and does not constitute an offer nor a binding commitment – either implicit or explicit – on the part of EIF or any entity.

When used in this section 4, the term “EIF” means EIF acting through the JT.

Structure	First loss portfolio capped financial guarantee providing credit risk coverage on a loan by loan basis for a portfolio (the “**Portfolio**”) of newly originated Eligible Loans. The Guarantee shall cover losses incurred by the Financial Intermediary in respect of each defaulted Eligible Loan in accordance with the Guarantee Rate. Losses covered by the Financial Instrument in respect of the Portfolio of Eligible Loans shall in aggregate not exceed the Cap Amount agreed in the Guarantee Agreement between EIF and the relevant Financial Intermediary.
Governing law and language	The terms of the Financial Instrument shall be in the English language and shall be governed by the laws of England.
Eligible SMEs	Micro (including individual entrepreneurs/self employed persons) and small enterprises as defined in the Commission Recommendation 2003/361/EC, excluding “firms in difficulty” as these are defined in the Article 2.1 of the Community guidelines on State aid for rescuing and restructuring firms in difficulty (OJ C 244, 1.10.2004, p. 2.), as amended, restated, supplemented and/or substituted from time to time. For the avoidance of doubt, should one Financial Intermediary be selected to receive a First Loss Portfolio Guarantee in respect of both Portfolios (i.e. Portfolio A and Portfolio B), two separate Operational Agreements shall be concluded each covering one of the Portfolios. A number of industries will be supported, except: a. Illegal Economic Activities *Any production, trade or other activity, which is illegal under the laws or regulations of the home jurisdiction for such production, trade or activity.* *Human cloning for reproduction purposes is considered an Illegal Economic Activity.* b. Tobacco and Distilled Alcoholic Beverages *The production of and trade in tobacco and distilled alcoholic beverages and related products.* c. Production of and Trade in Weapons and Ammunition *The financing of the production of and trade in weapons and ammunition of any kind.* d. Casinos *Casinos and equivalent enterprises.* e. IT Sector Restrictions *Research, development or technical applications relating to electronic data programs or solutions, which* *(i)aim specifically at:* *(a) supporting any activity included in the EIF Restricted Sectors referred to under 2. a to d above;*

	(b) internet gambling and online casinos; or *(c) pornography,* *or which* *(ii) are intended to enable to illegally* *(a) enter into electronic data networks; or* *(b) download electronic data.* f. Life Science Sector Restrictions *When providing support to the financing of the research, development or technical applications relating to* *(i) human cloning for research or therapeutic purposes; or* *(ii) Genetically Modified Organisms ("GMOs"),* *EIF will require from the EIF counterpart appropriate specific assurance on the control of legal, regulatory and ethical issues linked to such human cloning for research or therapeutic purposes and/or Genetically Modified Organisms.* g. Undertakings active in the fishery and aquaculture sectors, as covered by Council Regulation (EC) No 104/2000; h. Undertakings active in the primary production of agricultural products, as listed in Annex I to the Treaty on the functioning of the European Community; i. Additional excluded sectors presented in Article 1 (c-g) of the *De Minimis* Regulation. The Eligible SME shall be established and operating in Cyprus[1].
Operational Programme contributing sectors/projects	- Renewable energy; - Research and development; - Information and Communications Technology; - Technology upgrade for manufacturing services; - Solid waste (i.e. recycling systems); - Waste water (water saving systems, consultancy related to the creation of biological stations etc); - Culture and social services. During the build up of the Portfolio, the Financial Intermediary should consider satisfying, to the extent possible, the abovementioned sectors/projects promoted by the Operational Programme "Sustainable Development and Competitiveness" that supports the JEREMIE initiative in Cyprus. Such measures should be described within the Expression of Interest (e.g. the project proposal/implementation strategy).
Eligible Loans	Loans to Eligible SMEs originated by the Financial Intermediary and complying, *inter alia*, with the following criteria: - investment (tangible and intangible assets) loans and/or development or expansion loans, including necessary working capital (it being understood

[1] It is noted that , according to the Protocol 10 of the Accession Treaty of the Czech Republic, the Republic of Estonia, the Republic of Cyprus, the Republic of Latvia, the Republic of Lithuania, the Republic of Hungary, the Republic of Malta, the Republic of Poland, the Republic of Slovenia and the Slovak Republic to the European Union, the application of Community Acquis shall be suspended in those areas of the Republic of Cyprus in which the Government of the Republic of Cyprus does not exercise effective control. In addition, according to the Protocol 3 of the above mentioned Treaty, the Sovereign Base Areas of the United Kingdom of Great Britain and Northern Ireland, in Cyprus, are not included in the eligible areas.

	that operating costs (such as rent or salaries) do not qualify as working capital); - fixed repayment schedule (i.e. credit lines are not eligible); - amortising loans (i.e. bullet loans are not eligible); - maximum pricing and collateralisation levels as determined on the basis of the offer submitted by the Applicant and as agreed in the Operational Agreement; - maturity of minimum 24 months and maximum 120 months including a grace period (for capital repayment) of up to 1/3 of the loan maturity, with maximum 2 years; - denominated in EUR; - origination period: newly originated loans either (i) entered into by the Financial Intermediary during the Availability Period or (ii) approved during the Availability Period and in respect of which amounts have been drawn down for the first time by SMEs within 6 months from the end of the Availability Period.
Eligible Loan Amount	Eligible SMEs could potentially apply more than once for loans allocated in the context of this Financial Instrument provided that the aggregate nominal amounts of the loans granted to one Eligible SME and covered by the Financial Instrument do not exceed: - EUR 70,000 in case the respective Eligible SME is in the start-up and newly established phase with a business history of up to 36 months; - EUR 100,000 in case the respective Eligible SME has a business history of more than 36 months.
Continuing Criteria	The Financial Instrument shall apply only to loans satisfying at all times certain criteria, including ensuring that no Irregularity has occurred, where “Irregularity” means the infringement of a provision of European Union law resulting from an act or omission by the Financial Intermediary and/or a SME which is the borrower of a loan which has, or would have, the effect of prejudicing the general budget of the European Union by charging an unjustified item of expenditure to the general budget.
Exclusion Process	At any time EIF shall have the right to verify whether a Financial Intermediary complies with the Eligible Loan, Eligible SME and Continuing Criteria above (such criteria, the “**Eligibility Criteria**”). If EIF considers that a Loan does not comply with such Eligibility Criteria or any undertakings, requirements or requests, or if it becomes unlawful for the Financial Instrument to cover a loan, EIF may exclude such loan from the Portfolio. As a result, such excluded loan shall not be taken into account for the purposes of calculating the Actual Volume of the Portfolio.
Right of Clawback by EIF	In specified circumstances, EIF will be entitled to be repaid by the Financial Intermediary, or to require the Financial Intermediary to request repayment from the relevant SME (final beneficiary), as the case may be, of certain amounts, including any amounts paid by EIF in excess of the Cap Amount, any excess amount paid by EIF as a result of an exclusion of a loan from the Portfolio or any amount payable by the Financial Intermediary as a result of fraud or illegality.
Actual Volume	The aggregate amount of the principal committed to be available under Eligible Loans included in the Portfolio from time to time, provided that, for the avoidance of doubt: (i) if any loan is prepaid and/or repaid, then this shall not reduce the Actual Volume; and

	(ii) if a loan is excluded from the Portfolio, then such loan shall not be taken into account for the calculation of the Actual Volume.
Agreed Volume	The maximum aggregate amount of newly originated Eligible Loans to be covered by the Financial Instrument, as agreed in the Operational Agreement.
Guarantee Rate	The Financial Instrument shall cover losses incurred by the Financial Intermediary in respect of each defaulted Eligible Loan in accordance with the Guarantee Rate. The Guarantee Rate shall be 50% of the losses covered by the Financial Instrument.
Guarantee Cap Rate	The Cap Rate, expressed as a percentage of the Actual Volume, is fixed individually for each Portfolio having regard to its expected ex-ante risk profile. Losses covered by the Financial Instrument in respect of the Portfolio of Eligible Loans shall not in aggregate exceed the Cap Amount. The Cap rate can be up to 33% of the Actual Volume.
Cap Amount	The amount, expressed in Euro, as agreed in the Operational Agreement, at which EIF's obligation to pay under the Financial Instrument shall be capped and which shall be the maximum liability of the JT under the Financial Instrument, calculated as a function of (i) the lower of the Actual Volume and the Agreed Volume, (ii) the Guarantee Rate, (iii) the Cap Rate and iv) the Disbursement Ratio.
Disbursement Ratio	At a given time, the ratio, expressed as a percentage, equal to the quotient of: (i) the sum of the disbursed principal amounts relating to all Eligible Loans included in the Portfolio at such time and (ii) the Actual Volume at such time.
Adjustment of the Actual Volume	In respect of each loan included in the Portfolio, if on the date falling earlier of the following dates (The "Adjustment Date"): 1. the end of a disbursement period when amounts are available for utilisation by an SME, 2. the date which is six months prior to 31 December 2015, 3. the date falling twelve months after the end of the Availability Period the committed amount of principal has not been fully drawn by an SME the Actual Volume shall be adjusted to reflect the actual amount of principal drawn by the relevant SME. The Financial Intermediary shall reflect any such adjustment in the immediately following Report delivered to EIF. If the Actual Volume is adjusted pursuant to (1) above, the Financial Intermediary may include further loans meeting the Loan Eligibility Criteria up to and to extent that the Actual Volume does not exceed the Agreed Volume. If amounts are drawn under an Eligible Loan after the Adjustment Date and the Financial Intermediary suffers a loss after such date, the amount of such loss covered by the Guarantee shall be covered pro-rata to the principal disbursed before the Adjustment Date.
Guarantee Final Termination Date	The Guarantee will terminate on the earlier of: (i) six month following the Latest Loan Maturity Date; (ii) the date on which an Early Termination (if any)has occurred and (iii) the date (if any) on which the EIF is no longer liable to effect further payments to the Financial Intermediary and has no further claims under the Guarantee.
Latest Loan Maturity Date	Means the latest day on which Eligible Loan(s) included in the Portfolio are scheduled to be repaid by the relevant SME in accordance with the original scheduled repayment provisions of the documentation governing such Eligible Loan agreements.
Availability Period	Typically 24 months from date of signature of the Operational Agreement. During this period Eligible Loans may be included by the Financial Intermediary in the Portfolio

	for cover. Such inclusion of Eligible Loans shall occur automatically upon receipt by EIF of an inclusion notice submitted by the Financial Intermediary on a quarterly basis. For the avoidance of doubt the Eligible Loans so included shall be deemed to be covered by the Guarantee from the date of the signature of such Eligible Loans. The underlying Eligible Loans to be covered by the Guarantee shall be: (i) Eligible Loans entered into within the Availability Period; or (ii) Eligible Loans not entered into before the end of the Availability Period but approved during the Availability Period and in respect of which amounts have been drawn for the first time by SMEs within 6 months from the end of the Availability Period.
Guarantee cover	Losses deriving from principal and interest unpaid at the time of default, excluding late payments, default interest, capitalised interest and fees. The EIF will rank pari passu with Financial Intermediaries with respect to recoveries as further described in "Servicing and Recoveries" below; recoveries paid to EIF shall be net of recovery/foreclosure costs.
Default definition (applicable to Eligible Loans)	Applicable default definition in line with Basel II requirements (a "Default").
Guarantee payment	Following a Default under an Eligible Loan complying with the provisions of the Operational Agreement and subject to receiving a valid guarantee call from the Intermediary with respect to such Eligible Loan, EIF shall make guarantee payments under the Financial Instrument within 90 days following receipt of such guarantee call.
Events of Default under the Guarantee	Standard events of default (typically: failure to pay, breach of agreement, illegality and bankruptcy). The occurrence of an event of default with respect to the Financial Intermediary would result in the termination of the Guarantee Agreement (such event, an "Early Termination"). No payments will be made by EIF if an Event of Default or potential Event of Default relating to the Financial Intermediary has occurred or is continuing.
Guarantee Fee Amount and Percentage	Guarantee Fee Amount is a non-refundable guarantee fee expressed in EUR paid by the Financial Intermediary to the EIF (for the benefit of the JT) and calculated for each Eligible Loan included in the Portfolio either: i) In case of one-off upfront guarantee fee: calculated for each Eligible Loan included in the Portfolio as a one-off upfront fee equal to the product of the Guarantee Fee , the Eligible Loan amount and the Guarantee Rate (calculated and charged by the Financial Intermediary to the SME at the moment of the loan signature or first disbursement to the SME), or ii) In case of periodic guarantee fee: as the product of the appropriate Guarantee Fee and the actual outstanding guaranteed SME loan amount in a period (calculated as outstanding loan amount times the Guarantee Rate). The Financial Intermediary shall undertake in the Guarantee Agreement to disclose, in the documentation governing each Eligible Loan entered into between the Financial Intermediary and the SME, the existence and the modalities of payment of the Guarantee Fee (including the Guarantee Fee Percentage). To be noted that in order to better support Eligible SMEs a favourable Guarantee Fee Percentage is expected to be charged. The level of such Guarantee Fee Percentage shall be decided by the EIF, in collaboration with the Managing Authority, at a later stage and communicated to the selected Financial Intermediary accordingly. The level of the Guarantee Fee Percentage "discount" offered,

	compared to the EC's safe harbour rates ,as communicated by the Commission Notice on the application of Articles 87 and 88 of the EC Treaty to State aid in the form of guarantees[1], shall be appropriately communicated to the respective Eligible SMEs. In case the Guarantee Fee would have been paid to EIF on a SME Loan that would have then be excluded from the Portfolio, as a result of irregularity or breach of the Loan Eligibility Criteria, the Guarantee Fee will not be repaid to the Financial Intermediary.
Pricing and collateral requirements of the underlying Eligible Loans	The Eligible Loans shall be offered to the Eligible SMEs on the basis of the pricing and collateral policy submitted by the selected Financial Intermediary under the Expression of Interest (c.f. quality assessment criteria). Note for pricing policy: When submitting their proposed pricing policy, the Applicants should take into consideration that the Financial Instrument will cover 50% of the risk exposure of each Eligible Loan (up to the Cap Rate). The Guarantee Fee charged by EIF shall be added to the pricing proposal submitted by the selected Financial Intermediary. Note for collateral policy: The collateral policy submitted by the Financial Intermediaries under the Expression of Interest shall take into consideration the risk coverage provided by the Financial Instrument.
Other terms and conditions (if applicable)	Other terms and conditions for the Eligible Loans originated under the Financial Instrument should be applied by the Financial Intermediary in accordance with the policies submitted under the Expression of Interest.
Reutilisation	Not permitted. Upon repayment of the Eligible Loans the corresponding portion covered by the Financial Instrument will be freed up.
Servicing and Recoveries	The Financial Intermediary shall perform the servicing of the Portfolio, including monitoring and recovery actions. Recoveries net of recovery costs (if any) are shared pro-rata between EIF and the Financial Intermediary according to the Guarantee Rate. The Financial Intermediary shall enforce any security in relation to each defaulted Eligible Loan in accordance with its internal guidelines and procedures.
Reporting	Financial Intermediaries shall provide EIF with quarterly information in a standardised form and scope, defined by the EIF. An indicative reporting template is provided along this Call for information. Regular controls and verifications will be performed by the EIF in order to ensure compliance with the specifications and provisions of this Financial Instrument.
State Aid requirements	Financial Intermediaries shall be responsible for ensuring that loans originated respect the provisions of the *de minimis* aid regulation[2], in accordance to the State aid assessment performed by the responsible State aid Commissioner in Cyprus. In this context, they shall be responsible for the calculation of the Gross Grant Equivalent ("GGE") and also for following the appropriate monitoring procedure as this is stipulated in the EC Reg 1998/2006, article 3. The awarding of De minimis aid shall be properly communicated to the eligible SMEs in accordance to the recommendations of the State aid Commissioner in Cyprus.
Monitoring and Audit	Financial Intermediaries and the relevant SMEs (final beneficiaries) shall agree to

[1] Commission Notice on the application of Articles 87 and 88 of the EC Treaty to State aid in the form of guarantees (Official Journal of the European Union C155 of 20.06.2008) as amended by time to time, including by the Corrigendum to Commission notice on the application of Articles 87 and 88 of the EC Treaty to State aid in the form of guarantees (Official Journal of the European Union C244 of 25.09.2008).
[2] Commission Regulation (EC) No 1998/2006 of 15 Dec. 2006 – on the application of Articles 87 and 88 of the Treaty to *de minimis aid*.

	allow and to provide access to documents and premises related to the relevant Financial Instrument to the representatives of the Cypriot Government, the European Commission (including the European Anti-Fraud Office (OLAF)), the European Court of Auditors, EIF and any other authorised bodies duly empowered by applicable law to carry out audit and/or control activities. To that effect, the Financial Intermediaries shall also include appropriate provisions in each agreement with the SMEs.
Publicity	Financial Intermediaries, in line with applicable law and Structural Funds publicity provisions, shall carry out adequate marketing and publicity campaigns - as specified in the Operational Agreement - aimed at making the JEREMIE initiative known to the SMEs in Cyprus. In particular, the selected Financial Intermediary will be contractually required to: • Product labelling: The name of the product should clearly point to JEREMIE (e.g. "JEREMIE Guaranteed Loans Instrument"); • Promote JEREMIE and the Financial Instrument through its website; • Insert a promotional billboard inside all branches promoting this Financial Instrument; • Make at least two promotional publications in the three biggest newspapers and in the two biggest financial newspapers; • Make available promotional leaflets in all branches promoting this Financial Instrument; • All documents concerning this Financial Instrument, including amongst others, loan applications, SME loan agreements, promotional material to the SMEs, etc, will contain a statement mentioning that the loan was made possible with the support of the European Regional Development Fund (ERDF) and also national resources. Appropriate text and logos is envisaged to be provided to the selected Financial Intermediary during the phase of contractual negotiations; • Financial benefit: The financial benefit made possible due to JEREMIE's participation should be identified at the time of signature of the loan contract and formally communicated to the SME. The financial benefit offered should also be used as a marketing tool from the Financial Intermediary.
Additional Structural Fund requirements	This Financial Instrument is funded by EU structural funds and it is therefore subject to structural funds regulation and requirements, some of which have already being presented in Part 1 of this Annex (e.g. Monitoring and Audit, Publicity, Reporting etc). It should be noted however that more detailed information on actions necessary to ensure compliance of operations linked to this Financial Instrument with all structural funds requirements (e.g. retention of documents, environmental protection, equality and non discrimination) will be provided to and discussed with the selected Financial Intermediary during the contractual negotiations process. This Financial Instrument is further subject to additional national structural funds requirements. National structural funds requirements may apply, inter alia, to any amendment of Operational Agreements which may in particular be necessary if the purpose, objective, eligibility conditions, timeframe of, or the budget for, the Financial Instrument changes. Save as otherwise provided under relevant law, such changes in the Financial Instrument would only apply as of the date of implementation of the additional requirements.
Transfer	Neither EIF or the Financial Intermediary shall be entitled to transfer any or all of its rights and obligations under the Financial Instrument without the consent of the other party, provided that EIF shall in the event that the funding agreement by which EIF was appointed as the entity establishing and operating the JT, is terminated (for any reason whatsoever) EIF at any time be entitled to transfer all or part of its rights and obligations under the Financial Instrument to any person. Appropriate arrangements will be put in place for these purposes.

Part II: Selection Criteria for the First Loss Portfolio Guarantee Financial Instrument

1. ELIGIBILITY CRITERIA		**System of appraisal** **Yes/ No**
1.1.	Credit institution authorised to carry out business in Cyprus under the applicable regulatory framework. To be noted that joint ventures and also consortiums can express their interest as long as they indicate/nominate one coordinating entity as a contractual counterpart for the EIF for the entire term of the Operational Agreement (in case of selection). Such Applicants are required to submit one, joint Expression of Interest.	
1.2.	Ability to deliver nationwide geographical coverage in Cyprus.	
1.3.	The Expression of Interest is prepared in accordance with Annex 1 to the Call for Expression of Interest. All necessary supporting documents are provided (in the form requested if specified).	
1.4.	The Expression of Interest is duly signed.	
1.5.	The Expression of Interest is completed and submitted in English.	
1.6.	The Expression of Interest is submitted both by registered mail and e-mail.	
1.7.	The Expression of Interest is submitted within the Deadline.	
1.8.	The Expression of Interest specifies at least the items listed in Article 43.3 of Commission Regulation (EC) No 1828/2006[1] as described in Appendix 2 to Annex 1 hereof.	
1.9.	The Expression of Interest addresses all the items of the Financial Instrument, including any special conditions set out in the relevant parts of the Financial Instrument description (Part I of this Annex).	

[1] Commission Regulation (EC) No 1828/2006 of 8 December 2006 setting out rules for the implementation of Council Regulation (EC) No 1083/2006 laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund and of Regulation (EC) No 1080/2006 of the European Parliament and of the Council on the European Regional Development Fund (Official Journal of the European Union L371 of 27.12.2006), as amended from time to time, including by Commission Regulation (EC) No 846/2009 of 1 September 2009 amending Regulation (EC) No 1828/2006 setting out rules for the implementation of Council Regulation (EC) No 1083/2006 laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund and of Regulation (EC) No 1080/2006 of the European Parliament and of the Council on the European Regional Development Fund (Official Journal of the European Union L250 of 23.09.2009).

2.	QUALITY ASSESMENT CRITERIA	Max score
2.1.	In case of externally rated Financial Intermediaries, actual external rating by at least one of the following rating agencies: (i) Moody’s Investor Service Limited, (ii) Standard & Poor’s, a division of The McGraw-Hill Companies, Inc. or (iii) Fitch Ratings Ltd, taking into account any change of the rating within the last two years. In case of other Financial Intermediaries, the quality of key financial ratios (a preliminary assessment of the financial standing and credit worthiness of the Financial Intermediaries will be performed on the basis of key financial ratios calculated from the audited financial statements submitted).	**10**
2.2.	General quality of the project proposal and implementation strategy submitted under the Expression of Interest.	**15**
2.3.	Pricing policy and collateral requirements of the Financial Intermediary, to be charged under the Financial Instrument, as submitted under the Expression of Interest. o of which offer related to the proposed collateral and interest rates (maximum interest rates - for the avoidance of doubt including applicable base rate - will be compared) – table presented in Appendix 2 sections 1a and 1b (to be automatically calculated in accordance with the methodology explained below); o of which offer related to the proposed fees – table presented in Appendix 2 section 2 (to be awarded in accordance to EIF’s assessment).	**33** 30 3
2.4.	Contribution of the Expression of Interest to the objectives of the Operational Program “Sustainable Development and Competitiveness”	**3**
2.5.	Positive impact of the proposal on the environment and on creating / enhancing environmental sustainability.	**2**
2.6.	Contribution of the proposal to promote gender equality and non discrimination.	**2**
2.7.	Detailed assessment of the Financial Intermediary’s financial standing with regard to capital adequacy, provisions, liquidity, other financial ratios, its capacity to service outstanding loan portfolio, the quality of its existing SME portfolio and the rate of its non performing loans, etc. Also assessment of the Financial Intermediary’s organisational structure and corporate governance.	**15**
2.8.	Detailed assessment of the Financial Intermediary’s credit worthiness and risk management with regard to credit policy (internal procedures and guidelines), origination, risk assessment (rating/scoring), loan approval procedures, collateral requirement, recovery procedures etc. Assessment of the administrative capacity of the Financial Intermediary: Quality of IT systems, reporting mechanisms, monitoring procedures and controls and assessment of overall ability of the Financial Intermediary’s to comply with the Financial Instrument’s reporting and monitoring requirements.	**20**

Explanatory notes related to the evaluation of the Quality Assessment Criteria

Note 1 – Method of evaluation:

First stage: Items 2.1-2.6 will be evaluated first. Applicants who score lower than 45 points will be automatically eliminated. From those Applicants who score 45 points or more, the four highest will qualify to the second evaluation phase.

Second stage: Items 2.7-2.8 will be subsequently evaluated. Applicants who score lower than 70 points overall (first + second phase) will be automatically eliminated. The EIF may select up to two Applicants – those with the highest overall score (scoring above the minimum acceptable score of 70 points) - and

initiate contractual negotiations accordingly. The EIF reserves the right to decide on the proposed allocation of the EUR 8 m available for this Financial Instrument, on the basis of the results of the assessment procedure, in case more than one Applicant is eventually selected.
To be noted that in the context of the due diligence process, EIF may take negotiation positions, which view specifically at the improvement of the access to finance for the benefit of the final beneficiary SMEs.

Reserve list: Those Applicants who score 70 or more points but are not selected for contractual negotiations of Operational Agreements will form a reserve list (valid for 1 year following notification of inclusion in the reserve list).

In case more funding becomes available within 1 year from the launching of the Call for Expression of Interest, the EIF has the discretion to consider either (i) higher allocations to the Applicants with the highest overall scores (i.e. those initially selected for contractual negotiations of Operational Agreements) or ii) initiating contractual negotiations with any of the Applicant(s) included in the reserve list, taking into consideration the results of the evaluation procedure and the ranking formed.

If, for any reason, no Operational Agreement is signed with any of the initially selected Applicant(s), the EIF reserves the right to consider either (i) increasing the amount negotiated with the other Applicant(s) initially selected (in case more than one is selected) or (ii) approach one of the Applicants inserted in the reserve list.

Note 2 – Scoring of items 2.1-2.2, 2.4-2.6 and 2.7-2.8

Score for items 2.1-2-2 and 2.4-2.6 will be awarded on the basis of the initial qualitative analysis performed by the EIF. Score for items 2.7-2.8 will be awarded on the basis of the detailed full diligence performed by the EIF.

Note 3 – Scoring of item 2.3

Step 1: All offers will be compared individually, for each Category of Eligible SMEs (1&2) and each financial parameter (collateral and interest rates, for the avoidance of doubt including applicable base rate, for both scenarios), i.e. 2 * 4 = 8 different comparisons for each portfolio.

For each comparison, the lowest offer will be compared to each individual offer (i.e. Lowest offer of all Applicants/Offer of Applicant being measured), resulting to the best offer (i.e. lowest value) achieving a rating of 1. Inferior offers will hence score proportionately lower than 1.

The individual ratings of the 8 comparisons will be subsequently aggregated and the Applicants will be ranked in descending order – The one with the highest score ranking first.

Step 2: The aggregated results will define the score awarded for this Quality Assessment Criterion, in accordance with the following principle:
Rank 1: Awarded full points
Rank 2: Awarded 90% of the points
Rank 3: Awarded 80% of the points
Rank 4: Awarded 70% of the points
Subsequent rankings will apply the same logic with 10% marks being deducted for each lower ranking accordingly.